

Message Text

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PAGE 01 JAKART 11508 01 OF 02 260933Z
ACTION EA-12

INFO OCT-01 ISO-00 OIC-02 SP-02 USIA-06 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 AGRE-00 /082 W
-----067308 260950Z /21

P R 260820Z AUG 77
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC PRIORITY 3442
INFO AMEMBASSY BANGKOK
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY TOKYO
AMEMBASSY SINGAPORE

C O N F I D E N T I A L SECTION 1 OF 2 JAKARTA 11508

E.O. 11652: GDS
TAGS: ASEAN, ID
SUBJECT: U.S. ASEAN ECONOMIC CONSULTATIONS

REF: A. JAKARTA 11141; B. JAKARTA 11149

1. CHARGE AND E/C COUNS CALLED ON MINISTER OF TRADE RADIUS
PRAWIRO AUGUST 25 TO DISCUSS, INTER ALIA, FORTHCOMING U.S.-
ASEAN DIALOGUE. PRAWIRO CONFIRMED THAT HE WOULD LEAD
INDONESIAN DELEGATION AND THAT HE WOULD BE ACCOMPANIED BY
DIRECTOR GENERAL SUHDI IN HIS MINISTRY. HE WAS LESS CERTAIN
ABOUT SPECIFIC NAMES OF OTHER PARTICIPANTS BUT INDICATED THAT
HE EXPECTED TO HAVE REPRESENTATIVES FROM BAPPENAS, MINISTRIES
OF FOREIGN AFFAIRS AND AGRICULTURE, AND POSSIBLE BKPM ON THE
DELEGATION. HE SAID THAT INDONESIAN DELEGATION WOULD PROCEED
DIRECTLY FROM PATTAYA TO MANILA ON SEPTEMBER 5.

2. COMMENTING GENERALLY ON THE DIALGUE, PRAWIRO REITERATED
GOI EXPECTATION FOR A WELL-PREPARED MEETING AND HIS HOPE
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PAGE 02 JAKART 11508 01 OF 02 260933Z

THAT DISCUSSIONS WOULD NOT BE "TOO POLITICAL" BUT WOULD GET
TO THE HEART OF THE REAL ECONOMIC ISSUES. HE HAD DISCUSSED
THIS ASPECT WITH SECRETARY ROMULO IN KUALA LUMPUR. ROMULO
HAD RESPONDED FAVORABLY STATING THAT HE EXPECTED "HIS
ECONOMIC MINISTERS" TO CARRY BRUNT OF THE DISCUSSIONS.

3. WE ASKED PRAWIRO WHAT ASPECTS OF THE AGENDA WOULD BE

OF PRIMARY GOI INTEREST AND HE RESTATED THOSE ALONG THE SAME LINES AS SUHADI HAD (REF A). FOLLOWING ARE HIS KEY COMMENTS ON AREAS TO WHICH HE IS ATTACHING A HIGH PRIORITY FROM THE INDONESIAN VIEWPOINT:

A) COMMODITY PROBLEMS

PRAWIRO HOPED THAT THERE WOULD BE SPECIFIC DISCUSSIONS ON COMMODITIES SUCH AS RUBBER, TIMBER, TIN, AND PALM OIL. HE FELT THAT AN EXCHANGE OF VIEWS ON COMMODITIES WOULD BE VERY WELCOME AND HE EXPECTED ASEAN TO RAISE THE STABEX ISSUE WITH US. HE RECOGNIZED THE CLOSE RELATIONSHIP BETWEEN A STABEX AND THE IMF COMPENSATORY ARRANGEMENTS BUT WOULD NEVERTHELESS LIKE TO EXPLORE A LOME-TYPE ARRANGEMENT FOR ASEAN. WE OBSERVED TO PRAWIRO THAT INTERNATIONAL COMMODITY ARRANGEMENTS AND A MULTILATERAL INTEGRATED COMMODITY PROGRAM WOULD SEEM TO OBIVIATE NEED FOR SPECIAL REGIONAL COMMODITY ARRANGEMENTS WHICH THE U.S. GENERALLY OPPOSES. PRAWIRO REPLIED THAT, IF WE COULD GUARANTEE THAT AN INTERNATIONAL INTEGRATED COMMODITY PROGRAM WOULD WORK, THAT WOULD BE FINE, AND AGAIN EXPRESSED HIS HOPE THAT THESE ISSUES COULD BE FULLY EXPLORED IN MANILA.

B) NORTH-SOUTH DIALOGUE

PRAWIRO SAID THAT HE IS FULLY FAMILIAR WITH OUR VIEWS ON CIEC BUT FELT THAT HE WOULD LIKE TO KNOW MORE
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PAGE 03 JAKART 11508 01 OF 02 260933Z

ABOUT CURRENT U.S. ATTITUDES INCLUDING PLANS FOR NORTH-SOUTH FOLLOW-ON DISCUSSIONS. HE HAS SUGGESTED TO COLLEAGUES THAT U.S. SHOULD BE ASKED INFORM ASEAN OF WHAT OUR OWN LIMITATIONS ARE IN IMPLEMENTING CIEC DECISIONS AND WHAT WE EXPECT TO BE ABLE TO DO IN SPECIFIC TERMS. HE FELT THAT PROGRESS COULD NOT BE MADE UNLESS ASEAN UNDERSTOOD WHAT THE PROBLEMS ARE WHICH BOTH SIDES FACE. CONTINUING ON CIEC, AND IN SLIGHT CONTRADICTION TO WHAT HE HAD SAID ABOUT STABEX, PRAWIRO OBSERVED THAT THE U.S. SHOULD NOT CREATE IMAGE OF A WORLD DIVIDED INTO BLOCKS, THAT HE UNDERSTOOD THE U.S. PREFERENCE TO DEAL WITH INTERNATIONAL ECONOMIC ISSUES ON AN MGN BASIS, AND THAT HE FELT IT WAS BEST (IN THE FORTHCOMING MANILA TALKS) TO AVOID SITUATIONS THAT COULD BE MISUNDERSTOOD BY OTHER INDUSTRIAL COUNTRIES AND MIGHT BE VIEWED AS UNDERCUTTING SUCH INTERNATIONAL EFFORTS AS THE MTN. IN THIS CONNECTION HE NOTED THAT STRONG EC DESIRE TO HAVE A FURTHER DIALOGUE MEETING WITH ASEAN IN THE NEAR FUTURE. HE ADDED THAT, AS ASEAN SPOKESMAN IN CIEC, HE HAD RELAYED THE AFOREMENTIONED VIES TO HIS MINISTERIAL PARTNERS IN THE AREA.

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PAGE 01 JAKART 11508 02 OF 02 260947Z
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C O N F I D E N T I A L SECTION 2 OF 2 JAKARTA 11508

C) INVESTMENT

WE MENTIONED THE INCREASING INTEREST OF THE U.S.
PRIVATE SECTOR IN ASEAN AND ASEAN PROJECTS AND OUR HOPE
THAT THE ROLE OF THE PRIVATE SECTOR WOULD BE EXPLORED IN
THE MANILA DISCUSSIONS. PRAWIRO SAID THIS SUBJECT WOULD
BE DISCUSSED BY THE ECONOMIC MINISTERS AT PATTAYA. HIS
OWN VIEW WAS THAT ASEAN SHOULD SEEK U.S. ASSISTANCE TO
INDUSTRIAL PROJECTS THROUGH PRIVATE PARTICIPATION.
(COMMENT: WIDJOJO'S DEPUTY, MOOY, EARLIER IN WEEK HAD
TOLD US HE EXPECTED AN ASEAN REQUEST FOR U.S. AGREEMENT
IN PRINCIPAL TO HELP FINANCE THE "SECOND WAVE" OF ASEAN
PROJECTS.) PRAWIRO OBSERVED THAT JAPANESE EXPORTS TO
ASEAN WOULD UNDOUBTEDLY INCREASE AS A RESULT OF JAPAN'S
PROMISED MAJOR PARTICIPATION IN THE AREA BUT THAT
INDONESIA WOULD CERTAINLY WANT TO SEE AN INCREASE IN
THE FLOW OF SUPERIOR U.S. TECHNOLOGY INTO ASEAN.
ACCORDINGLY, HE WOULD WANT TO KEEP THE DOORS OPEN FOR
PARTICIPATION BY PRIVATE U.S. ENTITIES IN ASEAN PROJECTS.
HE MADE THE POINT THAT UNDER THE PROPOSED OWNERSHIP
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PAGE 02 JAKART 11508 02 OF 02 260947Z

FORMULA FOR ASEAN PROJECTS (60 PERCENT TO HOST, 10 PERCENT

TO EACH OF OTHER FOUR) U.S. COMPANIES SHOULD HAVE AN OPPORTUNITY TO BUY INTO THE HOST COUNTRY'S OWNERSHIP.

AS FAR AS THE INDONESIAN INVESTMENT CLIMATE WAS CONCERNED, PRAWIRO SAID THAT THEY EXPECTED TO HAVE THE NEW "ONE-STOP" INVESTMENT APPROVAL SYSTEM OPERATIONAL BY THE END OF THE YEAR (COMMENT: THE DECREE IS REPORTEDLY ABOUT TO BE SIGNED BY PRESIDENT SUHARTO). A SECOND AND EQUALLY IMPORTANT STEP IN IMPROVING THE CLIMATE WAS THE GOI'S PROGRAM TO ELIMINATE CORRUPTION. HE WAS HOPEFUL THAT THEY WOULD SUCCEED IN THIS EFFORT SINCE, AS HE PUT IT, TOO MANY "SPEED PAYMENTS" ARE COUNTER-PRODUCTIVE AND NOT IN THE BEST INTEREST OF THE COUNTRY.

4. COMMENT: AS USUAL, PRAWIRO DID NOT HESITATE TO GIVE HIS VIES IN A FRIENDLY AND RELAXED MANNER AND GAVE EVERY INDICATION THAT HE LOOKED FORWARD TO REPRESENTING THE INDONESIAN SIDE IN THE DIALOGUE. ONE THEME RUNNING THROUGH HIS VARIOUS OBSERVATIONS WAS THE INDONESIAN DESIRE AND NEED FOR U.S. TECHNOLOGY WHICH HE EMPHASIZED SEVERAL TIMES DURING THE MEETING. PRAWIRO WILL UNDOUBTEDLY BRING THIS VIEW TO BEAR WHEN THE MINISTERS MEET TO DEVELOP AN ASEAN POSITION ON U.S. PARTICIPATION IN ASEAN PROJECTS.
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